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THE BUSINESS REVIEW

FEDERAL RESERVE BANK OF PHILADELPHIA

1953 CAPITAL EXPENDITURES IN THE PHILADELPHIA AREA

The annual survey of plant and equipment outlays by Philadelphia area manufacturers reveals that the high spending level of recent years will be maintained. The most outstanding increase in capital expenditures is by the petroleum and coal products industries. It is expected that manufacturing employment will be even greater by next spring.

FINANCING CAPITAL EXPENDITURES

Corporations had less funds from retained profits to finance their capital expenditures in the first six months of 1952. Result: a record volume of new securities issued.

CURRENT TRENDS

Production, employment, and payrolls expanded in September. Durable goods industries accounted for most of the gains. Business loans continued to rise.

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1953 CAPITAL EXPENDITURES IN THE PHILADELPHIA AREA

The Federal Reserve Bank of Philadelphia has just completed its annual survey of capital expenditures' estimates by Philadelphia manufacturers. This year (September 1, 1951 through August 31, 1952) the study was extended to cover manufacturing in the Philadelphia metropolitan area—the eight-county area centering on Philadelphia—including Delaware, Chester, Bucks, and Montgomery counties in Pennsylvania and Gloucester, Camden, and Burlington counties in New Jersey. This, unfortunately, reduces to a minimum the comparability of the current estimates for 1952 and 1953 and those of earlier survey years. By covering the larger industrial area and including a greater number of firms, the survey results probably are more representative and will have a wider use.

Four hundred sixty-one firms participated in the survey, representing more than half of the total manufacturing employment in the eight-county area. These firms were used as a "sample" from which estimates of capital expenditures and employment for the entire industrial community were made. The published figures are estimates for all manufacturing firms in the Philadelphia area. The survey results are primarily indicative of regional rather than national trends. They do, however, supplement the national estimates made by the Department of Commerce and the McGraw-Hill Publishing Company.

ESTIMATED CAPITAL EXPENDITURES AND EMPLOYMENT

Manufacturing Industries in the Philadelphia Metropolitan area	Expenditures ($ thousands)		Employment	
	Sept. 1951 through Aug. 1952	Sept. 1952 through Aug. 1953	Sept. 1952	March 1953
All manufacturing	274,659.8	286,901.5	602,800	613,800
Durable goods	122,868.8	105,409.1	291,700	300,100
Nondurable goods	151,791.0	181,492.4	311,100	313,700
Food and tobacco.......	15,271.2	18,667.5	59,100	58,300
Textiles	9,664.2	6,324.6	59,500	60,500
Apparel	5,602.3	1,428.5	61,500	62,100
Lumber and furniture...	2,071.8	3,650.5	9,300	10,500
Paper	15,795.2	7,499.6	21,100	21,400
Printing and publishing..	8,737.0	8,543.4	34,300	34,200
Chemicals	44,092.3	38,523.3	36,600	37,800
Petroleum and coal products	50,704.6	99,250.8	23,900	23,900
Rubber and leather......	1,924.2	1,254.7	15,100	15,500
Stone, clay, and glass....	6,867.8	5,129.1	12,800	13,100
Primary metals	19,111.0	17,744.0	32,500	32,700
Fabricated metals	19,396.6	14,215.3	45,100	45,200
Machinery (excl. electrical)	16,046.4	32,256.6	45,800	46,900
Electrical machinery	24,505.1	16,570.1	58,100	60,300
Transportation equipment	24,831.7	8,560.0	56,000	58,500
Miscellaneous	10,038.4	7,283.5	32,100	32,900

Discussions of the business outlook which have appeared in the press in recent weeks seem to lean toward the view that country-wide employment and income will remain high, at least until the latter part of 1953. Numerous observers doubt the ability of the economy to sustain the boom after that time. A few dare to predict a sizable recession for 1954. In most cases the doubts and fears about the future health of business are associated with an expected tapering off of defense outlays by Government. A second factor very often mentioned is the possibility of "over-production" as the result of recent additions to industrial capacity. One of the chief consequences of such over-production would be the sharp curtailment of expenditures for new construction and equipment by industry. While investment of this type probably does not occupy so important a place as it once did in the explanation of business booms and depressions, there is no doubt that a drop in plant and equipment outlays, if it occurs, would contribute to a slackening in business activity.

Results of the Survey

On the basis of this year's survey of the Philadelphia area, no drop in capital expenditures appears to be in prospect for the coming year. On the contrary, as the accompanying table shows, a 4 per cent increase in total outlays is estimated. This figure is subject to an important qualification, however. It does not include the Fairless Works project of the United States Steel Company at Morrisville, Pennsylvania. Published information concerning the cost of the huge new mill indicates that the amount spent on it during the past year might approximate the expenditures of all other manufacturing facilities in the area combined. The Fairless Works' construction time table is such that the bulk of the work is now completed and much less will

be spent on the project during 1953 than in 1952. Thus, if the Fairless plant had been included in the survey, that one project might have caused a decline in total expenditures for 1953 in the neighborhood of 20 per cent. The inferences which might be drawn from such a result would be misleading for many purposes, but the omission, obviously, is an important one and should be borne in mind in interpreting the figures.

Buildings vs. Equipment

By far the greater part of the new capital outlays will be for equipment rather than for new construction. The line separating these two categories is often vague and the division cannot be precise; but it appears that less than one third of all the money will go into buildings. This Bank's past studies of manufacturers' intentions were limited to the city of Philadelphia and are not strictly comparable with the present survey. However, the direction of the trend in recent years away from construction and toward equipment is unmistakable. A shift from extensive to intensive capital improvement—from mere enlargement of facilities to modernization and improvement—was, of course, to be expected as the post-war shortage of industrial space was overcome and, more recently, as the expansion of new defense facilities has been accomplished.

This does not mean that manufacturers have stopped expanding their capacity. Of all the participating firms reporting capital development of some type for next year, nearly 55 per cent stated that their new facilities would enable them to produce more goods. Very few of these firms will increase their potential output by as much as 20 per cent, but most of them expect to be able to turn out better than 5 per cent more. Durable goods manufacturers show a much greater tendency to expand capacity than makers of nondurables.

More Workers

Many improvement programs now under way and anticipated for next year will not be completed for a long time, and demands for additional labor to man the new facilities will come gradually. Nevertheless, Philadelphia manufacturers can foresee a need for more workers within the next six months—about 11,000 more, or a little less than 2 per cent of their present force. Even with the addition of the many hundreds of manufacturing workers that the Fairless plant will take on during the period (as distinguished from construction workers who have been employed at Fairless for many months), this apparently is a moderate expansion in labor requirements in comparison with the plans of a year and two years ago. But coming at a time when the labor force is more fully employed, and being concentrated in durable goods industries, these new demands undoubtedly will be difficult to meet.

Anticipated gains in employment within the next six months are not proportional to capital outlays, of course. In the short-run, many other factors are of great importance. Petroleum and coal products industries, for instance, are the largest spenders for 1953, having doubled their 1952 outlays; yet they anticipate no increase in employment. Electrical machinery and transportation equipment manufacturers will reduce their plant and equipment expenditures next year. They anticipate the largest increases in employment. In fact, durable goods industries in general, which are increasing employment in the immediate future—possibly, in part, as a result of past plant expansion—have reduced their planned capital spending from last year's figure. The large expansion in the petroleum and coal products industries' outlays brings the nondurables total up, but, with the exception of food and tobacco, all other industries in this group also are reducing their spending.

Sources of Funds

Most of the money for new plant and equipment—72 per cent of it—is coming from internal sources, the companies' own earnings and allowances. Almost all the participating firms expected to draw on their own funds. About 15 per cent of the firms will call on the banks for some money. Only 8 per cent of the funds for investment will come from this source, however. A small group—only about 5 per cent of the firms—expect to raise money in the securities market or from insurance companies and other lenders. These are undoubtedly large firms and they will raise by these means 20 per cent of all the money to be spent.

National Trends

It is extremely difficult to draw any conclusions for national trends from a regional survey of this nature, particularly when it has no history which can be analyzed. Hidden local influences may be strong and inapplicable to the national scene. A more obvious difficulty is the different product "mix" in the region as opposed to the nation. Textiles in the Philadelphia area, for instance, account for almost 10 per cent of all manufacturing employment—for

the nation the proportion is only about 7.6 per cent. Petroleum and coal products industries in Philadelphia employ over 4 per cent of all manufacturing workers—nationally, less than 2 per cent. It so happens that petroleum and coal products account for the greatest increase in capital expenditures in the Philadelphia area. Without them total outlays would show a sizable decline from 1952 to 1953. If they were reduced to their national importance, the total would probably decline moderately. Other surveys, notably the recently published McGraw-Hill study, cover somewhat different time periods than this one, but their results for 1953 thus far—indicating a small decline for plant and equipment expenditures throughout the nation—appear to be reasonably consistent with this survey.

FINANCING CAPITAL EXPENDITURES

The first six months of 1952 were busy and, in some respects, "trying" months for many corporate managers. They were busy in that corporations spent at a record rate for plant and equipment. They were somewhat trying because corporate managers have had to finance this increased spending at a time when funds available from internal sources were shrinking. Many concerns compensated for this loss by raising funds from new security offerings. They usually relied on bonds, principally because of the wider demand for debt instruments and because of tax advantages. Recently, some signs have pointed toward a revival of interest in stock issues but in the near future, at least, it appears that bonds will continue to represent about three-quarters of all new security issues.

In the first half of this year, business spent $13 billion for enlargement and modernization of productive facilities. This was 10 per cent more than in the same period last year—the record year. Durable goods manufacturers, utilities, railroads, and other transportation companies did most of the increased spending. Corporations not only spent a larger dollar amount for plant and equipment but proportionally more of their total spending was for this purpose. This was principally because they spent only $500 million for inventory accumulation, as against $8 billion in the first six months of the preceding year.

Sources of Funds

The purposes for which corporations want funds influence the sources from which they get funds. When firms need money to purchase supplies and inventory or to pay wages and taxes, they generally borrow. Outlays for plant expansion or modernization, for new equipment, and for long-range research programs are usually financed from retained profits, depreciation allowances, and new security issues.

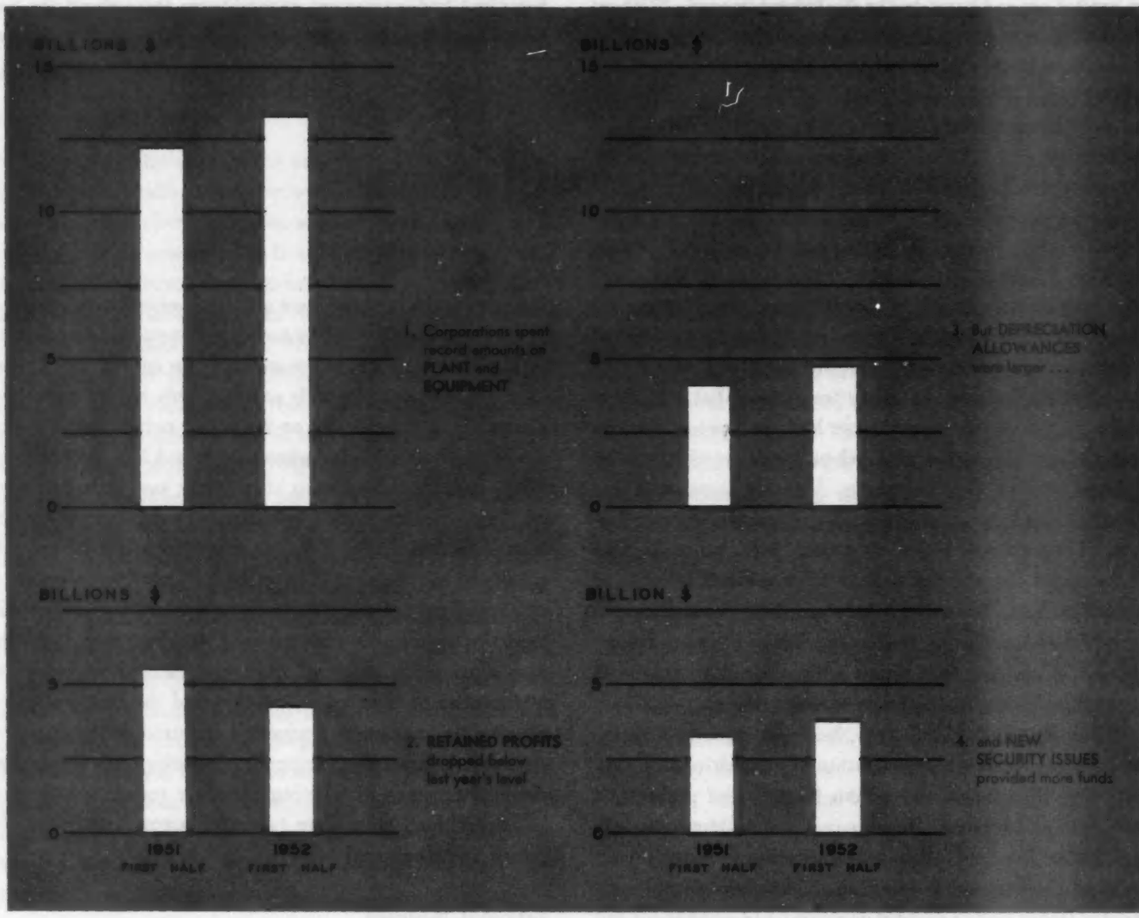
The ultimate source of most funds for capital investment in plant and equipment is saving. This saving generally comes from individuals or from the corporations themselves. Individuals save when they spend less on consumption goods than they earn. Corporate saving is that part of net corporate profits that is retained rather than disbursed as dividends. Corporations also might be considered to be saving when they set aside funds for replacement of capital equipment. Many firms prefer to finance their capital expenditures with retained earnings and depreciation allowances, thereby protecting themselves from the vicissitudes of the security market and the cost and complicated arrangements frequently required in tapping savings of individuals. Internal financing has been the dominant means of meeting post-war requirements, and has constituted more than twice the amount of funds obtained from external sources.

Internal Sources

The internal funds have been derived primarily from undistributed profits which supplied nearly $65 billion from the end of 1945 to December 31, 1951. Since late 1950, retained profits have declined. This reflects lower profits before taxes as a result of shrinking sales volume in many consumer lines and declining wholesale prices. Out of these lower profits have come larger taxes and continued large dividend payments. The effect has been to cut retained profits in the first six months of this year to 25 per cent below the same period last year.

A second major internal source of long-term funds is

SOURCES OF FUNDS FOR CAPITAL EXPENDITURES



depreciation allowances. Corporate depreciation allowances were larger in the first half of this year than in the same period last year. It has been estimated that the provision for rapid amortization of defense facilities which allows firms to write off their investment in defense facilities over a period of five years has added between $1 billion and $2 billion a year to depreciation charges. Certain industries, moreover, such as chemicals and petroleum, are adopting a more rapid depreciation policy as a matter of long-range planning and these industries are accounting for a greater share of business capital investment. So depreciation is a more important source of funds. The net effect of higher depreciation charges but lower retained profits has been a reduction of about 8 per cent in funds flowing from these two most important internal sources, as compared with the first six months of 1951.

Outside Sources

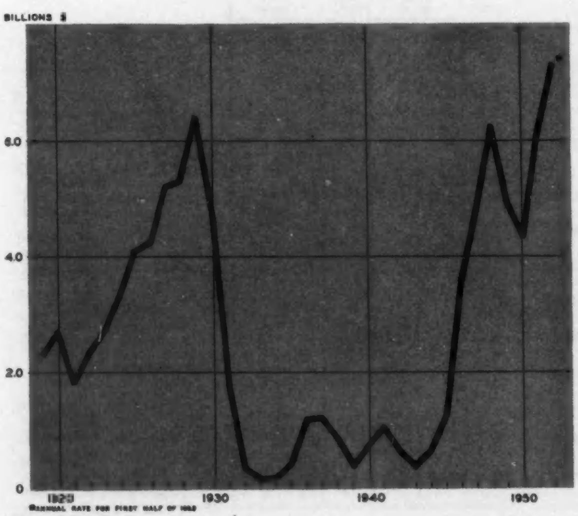
The ultimate external source of funds for capital investment is largely individual saving. Corporations tap these funds by issuing bonds or stocks. New security issues sold in the first six months of this year totaled $3.7 billion—a

record volume of security financing. From 1946 to 1951, corporations issued a near-record volume of new securities. In the 1930's, corporations had smaller capital requirements and generally financed them from internal sources. During the 1920's, business used external sources to a greater extent than in the thirties, but the amount of new money raised through the capital market was lower than it is today.

Bonds vs. Stocks. Three-quarters of the new securities offered in the first half of this year were bonds, and this heavy dependence on bonds is typical of the post-war period. A number of factors are favorable to bond as compared with stock financing. It long has been a generally accepted principle of corporate finance that bonds or other fixed interest obligations should be issued only when prospective earnings appear both adequate in amount and stable in their flow. In the post-war period, this principle has been obscured somewhat by two important considerations: the major part of the excess cash of individuals seeks safety and liquidity, and tax advantages accrue to corporations using debt instruments.

In general, the small investor is unable to weigh the risks of different investments or to obtain sufficient diversification to assume them; therefore, most people prefer to hold their savings in liquid assets of fixed money value. For example, it is estimated that only about 2.3 million people hold corporate stocks and only 640,000 directly invest in corporate bonds, as compared with 41 million families investing in life insurance and 26½ million families holding savings accounts. Safety and liquidity seem to be more important considerations than the rate of return on investment. In part, this reflects the great emphasis on security manifested by Americans, particularly since the depression of the thirties, and the redistribution of incomes to the benefit of lower-income groups who consider life insurance, deposits in banks, and shares in savings and loan associations preferable to corporate stocks and bonds. Thus, much of consumers' unspent funds flow to these savings institutions and through them into investment. These financial institutions traditionally adhere to a conservative investment policy, and legal restrictions also prevent them from putting a significant proportion of their funds into stocks. To date, holdings of stocks by life insurance companies amount to only about 3 per cent of total life funds.

NEW SECURITY ISSUES
1919 — First Half 1952



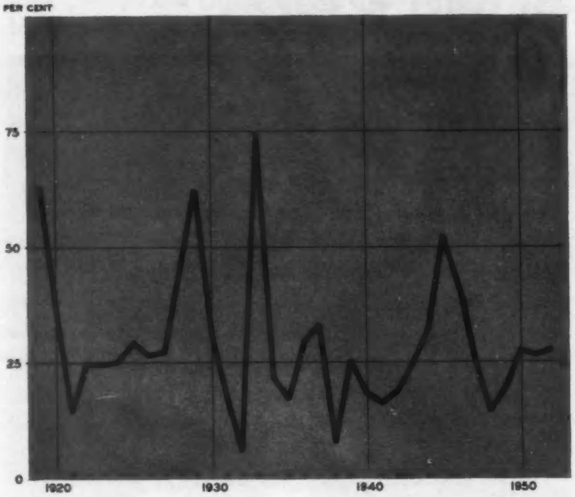
High corporate tax rates increase the advantages of debt financing because interest on bonds, unlike dividends, is a deductible expense. There are some factors, however, which favor the sale of stock. Inflation and the threat of more inflation have aroused an increasing interest on the part of investors in assets of fluctuating value. Some individuals have switched a part of their investments from bonds to stocks hoping to provide themselves with an inflation hedge.

Institutional demand for stocks has also increased. Insurance company holdings of preferred and common stocks rose from $1 billion in 1945 to $2.2 billion at the end of 1951, but still constitute a small percentage of total assets. Recently, laws governing insurance company investments have been altered in some states to permit the purchase of more stocks. Also, mutual investment funds have continued to gain in popularity and these institutions invest a substantial portion of their funds in stocks. Pension funds, which are taking a larger amount of personal saving, find the higher yields on stocks attractive.

The rise in interest rates, which has narrowed the spread between the cost of bond and stock financing, is a third factor diminishing the advantage of borrowing. Established companies could expect to finance successfully with 2½ to 2¾ per cent bonds in 1949, whereas today these same corporations pay 3 to 3¼ per cent on similar issues. At the same time, the fact that stock prices are high, historically speaking, is favorable to the issuance of stock.

RELATION OF STOCK ISSUES TO TOTAL AMOUNT OF NEW SECURITY ISSUES

1919 — First Half 1952



The accompanying chart shows the percentage of stocks to total security issues. Since 1950, stocks have accounted for about 27 per cent of all new security issues as compared with less than 20 per cent in 1948 and 1949. The relationship between stock and bond financing since the war has been comparable with that of the 1921 through 1927 period.

Conclusions

Between now and the middle of 1953, corporations are likely to continue spending at or near peak levels for plant and equipment. It seems probable, therefore, that the demand for long-term funds will continue at a high level.

Internal funds for capital expenditures will probably be somewhat scarcer than in previous post-war years but may be more plentiful than in the first six months of this year. Depreciation accruals will be large and although corporations can expect little in the way of tax relief in the near future, the outlook for profits continues good. A more adequate flow of funds from internal sources would tend to reduce somewhat the need for outside financing. In spite of some evidences of increased interest in equities, it seems unlikely that the current ratio between stocks and bonds will be much altered in the near future.

CURRENT TRENDS

Business expanded in September, picking up additional ground lost by the steel stoppage. Changes recorded by major commercial and financial indexes were varied, but the level of activity in general was somewhat above a year ago. In October, the economic picture, although temporarily clouded by the soft-coal strike, was substantially unchanged.

The industrial recovery occasioned by the resumption of operations in the steel industry continued into September. Production, employment and payrolls in Pennsylvania factories showed increases, extending the recovery from steel-strike lows. Although the durable goods group accounted for most of the gains, nondurables also contributed. Activity was stepped up in both textile and apparel plants where production was above a year earlier.

September sales of department stores, seasonally adjusted, dropped substantially from the level of the previous month and were 2 per cent below a year ago. Department store stocks showed no change during the month, but were 10 per cent under last year. The ratio of stocks to sales was considerably lower than in September 1951, reflecting the greater decline in inventories than in sales.

Falling food prices more than offset increases in the cost of clothing and fuel during the month. While the Philadelphia consumer was paying more for cost-of-living items than in September last year, the index has shown a downward tendency in recent months.

Business loans of District reporting banks increased $13 million to $865 million in the five weeks ended October 29. Retailers, commodity dealers and producers of metals and metal products accounted for most of the rise in borrowing. Holdings of Government securities declined $26 million, more than offsetting a rise of $10 million in other investments. During the same period last year, business loans declined $12 million and bank security portfolios shrank about $5 million.

The nation's private money supply increased somewhat in September, principally reflecting a substantial expansion in bank loans. Deposits and currency holdings of business and individuals increased $2.1 billion in the third quarter this year, as compared with $3.2 billion in the third quarter of 1951.

SUMMARY	Third Federal Reserve District — Per cent change			United States — Per cent change		
	Sept. 1952 from		9 mos. 1952 from year ago	Sept. 1952 from		9 mos. 1952 from year ago
	mo. ago	year ago		mo. ago	year ago	
OUTPUT						
Manufacturing production	+ 4*	+ 1*	−6*	+ 5	+ 3	− 2
Construction contracts‡	−11	+20	+2	− 5	+40	0
Coal mining	+42	+ 8	−6	+43	+ 6	− 8
EMPLOYMENT AND INCOME						
Factory employment	+ 3*	0*	−7*	+ 2	+ 1	− 3
Factory wage income	+ 7*	+ 7*	−4*	.....	.....	.....
TRADE**						
Department store sales	− 9	− 2	−1	− 7	0	0
Department store stocks	0	−10	.....	+ 2	− 6	.....
BANKING (All member banks)						
Deposits	+ 2	+ 5	+4	+ 2	+ 6	+ 6
Loans	+ 2	+ 9	+8	+ 2	+ 9	+ 8
Investments	− 1	+ 1	+1	− 1	+ 4	+ 5
U.S. Govt. securities	− 1	− 1	−1	− 1	+ 3	+ 4
Other	− 1	+ 7	+7	− 1	+11	+10
PRICES						
Wholesale	.....	.....	.....	0	− 1	− 3
Consumers	0†	+ 3†	+3†	0	+ 3	+ 3
OTHER						
Check payments	+10	+13	+2	+12	+15	+ 6
Output of electricity	+ 5	+10	+3	.....	.....	.....

*Pennsylvania
**Adjusted for seasonal variation. †Philadelphia.
‡Changes computed from 3-month moving averages.

LOCAL CONDITIONS	Factory* Employment — Per cent change Sept. 1952 from		Factory* Payrolls — Per cent change Sept. 1952 from		Department Store Sales — Per cent change Sept. 1952 from		Department Store Stocks — Per cent change Sept. 1952 from		Check Payments — Per cent change Sept. 1952 from	
	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago
Allentown	+1	0	+6	+ 7	.....	.....	.....	.....	+ 1	+13
Harrisburg	+1	+8	+4	+16	.....	.....	.....	.....	+12	+17
Lancaster	−1	0	0	+ 2	+10	0	+14	− 8	+ 5	+14
Philadelphia	+3	+4	+4	+12	+48	−2	+ 9	−11	+12	+12
Reading	+1	−3	+5	+ 4	+22	−3	+12	−12	+ 9	+12
Scranton	+1	+5	+2	+13	.....	.....	.....	.....	+11	+10
Trenton	+3	+3	+9	+12	+14	−9	+ 8	−18	− 3	+14
Wilkes-Barre	+2	+7	+3	+17	+ 9	−4	+11	− 6	+11	+11
York	−1	0	0	+ 6	− 5	−3	+12	− 8	+ 7	+30

*Not restricted to corporate limits of cities but covers areas of one or more counties.

MEASURES OF OUTPUT

	Per cent change		
	Sept. 1952 from		9 mos. 1952 from year ago
	month ago	year ago	
MANUFACTURING (Pa.)	+ 4	+ 1	− 6
Durable goods industries	+ 6	0	− 7
Nondurable goods industries	+ 2	+ 2	− 5
Foods	+ 3	− 4	− 2
Tobacco	+ 4	+ 3	+ 2
Textiles	+ 2	+11	−10
Apparel	+ 3	+ 4	− 8
Lumber	− 4	− 5	− 8
Furniture	+ 2	+21	+ 4
Paper	+ 3	+ 2	− 8
Printing and publishing	+ 4	− 1	− 1
Chemicals	0	0	0
Petroleum and coal products	− 3	+ 1	− 9
Rubber	− 1	−17	− 5
Leather	0	+10	− 5
Stone, clay and glass	0	−12	−13
Primary metal industries	+12	+ 1	−16
Fabricated metal products	+ 7	+ 3	− 9
Machinery (except electrical)	− 1	− 7	− 3
Electrical machinery	+ 7	+ 9	+ 4
Transportation equipment	+ 2	+ 7	+16
Instruments and related products	+ 3	−10	− 6
Misc. manufacturing industries	+ 4	− 5	−17
COAL MINING (3rd F. R. Dist.)*	+42	+ 8	− 6
Anthracite	+44	+11	− 4
Bituminous	+31	− 6	−18
CRUDE OIL (3rd F. R. Dist.)**	− 3	− 1	− 1
CONSTRUCTION—CONTRACT AWARDS (3rd F. R. Dist.)†	−11	+20	+ 2
Residential	+ 6	+34	+ 5
Nonresidential	−21	+30	−17
Public works and utilities	−20	−13	+47

*U.S. Bureau of Mines.
**American Petroleum Inst. Bradford field.
†Source: F. W. Dodge Corporation. Changes computed from 3-month moving averages, centered on 3rd month.

EMPLOYMENT AND INCOME

Pennsylvania Manufacturing Industries* Indexes (1939 avg.=100)	Employment			Payrolls			Average Weekly Earnings		Average Hourly Earnings	
	Sept. 1952 (Index)	Per cent change from		Sept. 1952 (Index)	Per cent change from		Sept. 1952	% chg. from year ago	Sept. 1952	% chg. from year ago
		mo. ago	year ago		mo. ago	year ago				
All manufacturing	138	+3	0	425	+ 7	+ 7	$68.92	+ 7	$1.70	+6
Durable goods industries	169	+4	+ 1	498	+ 9	+ 7	76.09	+ 6	1.86	+7
Nondurable goods industries	109	+1	0	330	+ 2	+ 7	58.09	+ 7	1.46	+4
Foods	131	+4	− 2	340	+ 4	+ 1	57.81	+ 4	1.40	+5
Tobacco	90	+2	+ 2	262	+ 7	+ 7	38.30	+ 5	.98	+3
Textiles	69	+1	+ 1	223	+ 3	+15	57.39	+14	1.43	+4
Apparel	131	+1	+ 1	403	+ 3	+ 8	43.42	+ 7	1.17	+2
Lumber	146	−4	− 6	411	− 4	0	49.00	+ 7	1.16	+6
Furniture and lumber products	125	+2	+18	412	+ 4	+31	60.66	+11	1.36	+8
Paper	139	0	− 1	448	+ 4	+ 9	69.74	+10	1.61	+7
Printing and publishing	119	+3	− 2	341	+ 4	+ 6	80.95	+ 8	2.05	+8
Chemicals	147	+1	− 3	431	+ 1	+ 2	69.81	+ 5	1.67	+5
Petroleum and coal products	157	−1	0	463	− 3	+ 6	88.56	+ 7	2.17	+6
Rubber	227	+2	− 7	659	+ 2	−15	72.15	− 9	1.89	+1
Leather	85	0	+ 5	242	+ 1	+16	48.62	+11	1.24	+5
Stone, clay and glass	129	0	−10	372	+ 2	− 9	65.88	+ 1	1.70	+4
Primary metal industries	145	+8	+ 2	446	+18	+10	85.52	+ 8	2.13	+9
Fabricated metal products	180	+4	+ 2	539	+ 9	+11	71.23	+ 8	1.73	+8
Machinery (except electrical)	225	−1	− 7	664	0	− 3	74.77	+ 3	1.76	+4
Electrical machinery	287	+4	+ 8	734	+ 8	+16	71.56	+ 8	1.72	+5
Transportation equipment	186	+4	+10	523	+ 3	+10	79.81	+ 1	2.00	+5
Instruments and related products	172	+3	− 8	505	+ 5	− 6	67.06	+ 2	1.66	+4
Misc. manufacturing industries	133	+3	− 4	381	+ 6	+ 2	58.61	+ 7	1.38	+7

*Production workers only.

TRADE

Third F. R. District Indexes: 1947–49 Avg.=100 Adjusted for seasonal variation	Sept. 1952 (Index)	Per cent change		
		Sept. 1952 from		9 mos. 1952 from year ago
		month ago	year ago	
SALES				
Department stores	105	−9	− 2	− 1
Women's apparel stores	82	−8	− 5	− 2
Furniture stores	......	+2*	+17*	+15*
STOCKS				
Department stores	113p	0	−10	......
Women's apparel stores	102	+5	−10	......
Furniture stores	......	+6*	− 9*	......

Recent Changes in Department Store Sales in Central Philadelphia	Per cent change from year ago
Week ended October 11	− 4
Week ended October 18	− 1
Week ended October 25	+11
Week ended November 1	− 1
Week ended November 8	−12

*Not adjusted for seasonal variation. p—preliminary.

Departmental Sales and Stocks of Independent Department Stores Third F. R. District	Sales		Stocks (end of month)		
	% chg. Sept. 1952 from year ago	% chg. 9 mos. 1952 from year ago	% chg. Sept. 1952 from year ago	Ratio to sales (months' supply) September	
				1952	1951
Total—All departments	+2	−2	−11	2.9	3.4
Main store total	+2	−3	−12	3.1	3.6
Piece goods and household textiles	−4	−8	−15	3.5	3.9
Small wares	+7	+1	− 4	3.6	4.0
Women's and misses' accessories	+4	−1	− 5	2.9	3.2
Women's and misses' apparel	+3	+3	− 5	2.1	2.2
Men's and boys' wear	+4	−1	−12	4.5	5.3
Homefurnishings	0	−8	−16	3.2	3.8
Other main store	+5	−1	−25	4.0	5.5
Basement store total	0	−2	− 7	2.1	2.2
Domestics and blankets	−2	−1	−11	2.2	2.4
Small wares	+5	−5	−12	1.9	2.3
Women's and misses' wear	0	−1	0	1.6	1.6
Men's and boys' wear	+1	−1	− 8	2.6	2.9
Homefurnishings	+1	−8	−13	2.4	2.8
Shoes	−2	−3	−16	2.6	3.0
Nonmerchandise total	+5	+2	......	......	......

CONSUMER CREDIT

Sale Credit Third F. R. District	Sales		Receivables (end of month)
	% chg. Sept. 1952 from year ago	% chg. 9 mos. 1952 from year ago	% chg. Sept. 1952 from year ago
Department stores			
Cash	+ 1	− 2	....
Charge account	+ 2	− 3	+ 8
Instalment account	+ 7	+ 4	+ 9
Furniture stores			
Cash	+ 2	+ 4	....
Charge account	+19	− 5	....
Instalment account	+ 9	+14	+11

Loan Credit Third F. R. District	Loans made		Loan balances outstanding (end of month)
	% chg. Sept. 1952 from year ago	% chg. 9 mos. 1952 from year ago	% chg. Sept. 1952 from year ago
Consumer instalment loans			
Commercial banks	+29	+39	0
Industrial banks and loan companies	+37	+32	+25
Small loan companies	+ 7	+12	+18
Credit unions	+29	+23	+16

PRICES

Monthly Wholesale and Consumer Prices	Sept. 1952 (Index)	Per cent change from	
		month ago	year ago
Wholesale prices—United States (1947–49 = 100)	112	0	−1
Farm products	106	−3	−3
Foods	111	0	0
Other	113	0	−1
Consumer prices (1935–39 = 100)			
United States	191	0	+3
Philadelphia	192	0	+3
Food	233	−2	+5
Clothing	198	+1	−3
Rent	.....	.....	.....
Fuel	153	+1	0
Housefurnishings	213	0	−4
Other	176	0	+4

Weekly Wholesale Prices—U.S. (Index: 1947–49 average = 100)	All commodities	Farm products	Processed foods	Other
Week ended October 7	111.1	106.6	108.5	112.6
Week ended October 14	110.7	104.6	108.1	112.6
Week ended October 21	110.6	105.1	107.4	112.5
Week ended October 28	110.3	104.5	106.2	112.4
Week ended November 4	110.1	104.3	105.6	112.4

Source: U.S. Bureau of Labor Statistics.

BANKING

MONEY SUPPLY AND RELATED ITEMS United States (*billions $*)	Sept. 24 1952	Changes in—	
		four weeks	year
Money supply, privately owned	187.4	+1.2	+9.5
Demand deposits, adjusted	96.4	+ .6	+4.4
Time deposits	64.5	+ .4	+3.9
Currency outside banks	26.6	+ .2	+1.1
Turnover of demand deposits	21.3*	−1.8*	−1.4*
Commercial bank earning assets	137.1	+ .5	+8.5
Loans	61.2	+1.0	+5.2
U.S. Government securities	61.6	− .4	+1.9
Other securities	14.3	− .1	+1.4
Member bank reserves held	20.6	+ .8	+1.2
Required reserves (estimated)	19.8	+ .2	+1.0
Excess reserves (estimated)	.8	+ .6	+ .2

Changes in reserves during 4 weeks ended September 24, reflected the following:

	Effect on reserves
Increase in Reserve Bank holdings of Governments	+.6
Decrease in Reserve Bank loans	−.5
Other Reserve Bank credit	+.1
Net Payments by the Treasury	+.5
Miscellaneous	+.1
Change in reserves	+.8

* Annual rate for the month and per cent changes from month and year ago at leading cities outside N. Y. City.

OTHER BANKING DATA	Oct. 29 1952	Changes in—	
		five weeks	year
Weekly reporting banks—leading cities			
United States (*billions $*):			
Loans—			
Commercial, industrial and agricultural	22.3	+ .6	+1.7
Security	2.2	+ .1	+ .4
Real estate	6.0	+ .1	+ .3
To banks	.6	− .1	0
All other	6.8	+ .2	+ .8
Total loans—gross	37.9	+ .9	+3.2
Investments	39.7	+ .5	+1.2
Deposits	86.2	+ .3	+3.7
Third Federal Reserve District (*millions $*):			
Loans—			
Commercial, industrial and agricultural	865	+ 13	+ 72
Security	76	+ 6	+ 33
Real estate	147	+ 1	+ 15
To banks	18	+ 14	+ 10
All other	444	+ 9	+ 51
Total loans—gross	1,550	+ 43	+181
Investments	1,463	− 16	− 39
Deposits	3,311	− 10	+ 94
Member bank reserves and related items			
United States (*billions $*):			
Member bank reserves held	20.4	− .1	+ .9
Reserve Bank discounts and advances	1.2	+ .8	+1.0
Reserve Bank holdings of Governments	23.6	− .1	+ .1
Gold stock	23.3	0	+1.1
Money in circulation	29.5	+ .3	+1.1
Treasury deposits at Reserve Banks	.6	+ .3	+ .1
Federal Reserve Bank of Phila. (*millions $*):			
Loans and securities	1,523	+ 18	+ 31
Federal Reserve notes	1,773	+ 10	+ 78
Member bank reserve deposits	930	− 2	+ 21
Gold certificate reserves	1,259	+ 24	+ 77
Reserve ratio (%)	45.0%	+ .2%	+ .9%